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The Role of Departments and Agencies in Budget Development

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Federal departments and agencies play an integral role in the development of the President's budget. The President is required to prepare and submit a comprehensive federal budget to Congress each year. Due to the size and complexity of the federal budget, however, the President relies on departments and agencies to bear the primary responsibility for formulating their budget requests. For more information on the budget process, see the CRS Guides to Congressional Processes at <http://www.crs.gov/products/guides/guidehome.shtml>.

The initial development of the President's budget begins at the agency level. Federal agencies typically rely on their own internal process to prepare their initial budget requests. While these internal processes may vary by department and agency, most generally follow a bottom-up process. Initial budget requests are formulated by the lowest organizational level of an agency and reviewed at successively higher levels. Some departments, however, follow a top-down process in which budget guidelines are established by the highest level and communicated to the lower organizational levels.

Federal agencies usually begin work on the budget about 10 months before the President submits his budget to Congress (about 18 months before the start of the fiscal year). When federal agencies prepare their initial budget requests, they usually take an incremental approach. Agencies estimate the resources necessary to continue the existing programs at current levels for the next fiscal year. This includes spending estimates for personnel, supplies, equipment, and other program expenses. Then, agencies will include estimates for new initiatives funded with any available incremental resources. In addition, the Office of Management and Budget (OMB) will inform an agency of any presidential initiatives to be incorporated into its initial budget request.

In the typical bottom-up process, the preliminary budget request is reviewed by the next higher organizational unit. Decisions are made and passed back to the originating level. Any disagreements with these decisions may be appealed. Once decisions are made on appeals, the budget request then is consolidated with the budget requests of similarly situated units to be reviewed at the next level. This process of review and appeal continues at each level up to the highest level of a department or agency. All the lower-level budget requests then are consolidated into an agency-wide budget to be submitted to OMB.

The Government Performance and Results Act (GPRA) of 1993 (P.L. 103-62) established a statutory framework to link the formulation of the budget with government performance. First, agencies are required to prepare strategic plans, annual performance plans, and annual program performance reports. The strategic plans must cover at least six years, and must be revised and updated at least once every three years. Second, agencies are required to prepare and submit annual performance plans. Lastly, agencies are required to prepare annual performance reports, which include evaluations based on the measurable indicators identified in the performance plans.

The agency-wide budget requests and performance plans are reviewed by OMB staff responsible for the particular program area. During this review process, agency officials clarify policy and technical questions with OMB staff. Usually, such questions regarding a program's budget request are passed through the upper levels of the agency or department. The OMB director makes decisions on the budget requests and performance plans, and agencies are notified of these decisions through what is known as the OMB "passback." Agencies then are given an opportunity to appeal if they disagree with aspects of the passback. Decisions on these appeals are made by the OMB director and, in some cases, by the President.

Once final decisions are made by OMB and the President, federal agencies and departments must revise their budget requests and performance plans to conform with these decisions. Agency officials prepare budget material for inclusion in the President's budget, which is transmitted to

Congress by the first Monday of February. These materials include program descriptions, the requested spending levels, and the proposed appropriations language for each account. This information is contained in the *Appendix* volume of the President's budget submission. In addition, agencies' GPRA performance plans are provided to Congress soon after transmittal of the President's budget.

Agencies are responsible for defending the President's budget request as budgetary legislation is formulated in Congress. In support of the President's budget, agencies submit extensive written justification materials to the House and Senate Appropriations Committees. These materials contain detailed analysis of program activities, as well as justifications of proposed increases or decreases in spending. Agency officials use these materials to support their testimony during appropriations subcommittee hearings. These materials usually are printed in the appropriations committee hearings.

In addition to the formal testimony before congressional committees, key agency officials, including department secretaries, typically will provide other congressional and press briefings to build political support for the President's budget request.

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